



## Official Development Assistance: The Case of Nine New EU Member States

### From recipients to donors

This publication examines the overall Official Development Assistance (ODA) of nine countries of Central and Eastern Europe (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Poland, Romania, Slovakia, and Slovenia) which acceded to the EU in 2004 and 2007 respectively. The countries on which this report focuses are all post-Communist states which, in the past 20 years, have undertaken deep political, economic and social transformations. In the transition period they were recipients rather than providers of ODA.

However, the transition to the “new donors” group did not occur for all of them simultaneously. Some countries, such as the Czech Republic and Hungary, started ODA activities relatively early, i.e. in the mid-1990s, largely due to their accession to the Organisation for Economic Cooperation and Development (OECD). Others, such as Romania and Bulgaria, remained on the recipient side until the very moment of their EU accession in 2007. Thus, the countries do not represent a homogeneous group and their track records of delivering ODA vary greatly, as will be illustrated further.

These countries’ experiences of delivering development co-operation also vary in another aspect. Some countries in the group, especially Poland, Hungary, and the Czech Republic and Slovakia (formerly Czechoslovakia), acted as development co-operation providers during the communist period.

This assistance was provided in a different context: it was aimed mainly at developing countries such as Cuba, Vietnam, Cambodia, Mongolia, Angola, and other communist regimes or regimes inclined thereto, and the Cold War context was the main determinant of such aid.

Although this development aid vanished after the fall of communism, these countries have nevertheless established a certain reputation as aid providers, including a track record and a network of contacts. This makes it somewhat easier for them to engage once again in the poorest regions of the world, especially in Africa or Asia.

On the other hand, countries such as Estonia, Latvia, and Slovenia do not have extensive experience with aid provision, as this policy was centralised (either at the USSR or Yugoslavia level), and thus they have largely had to build up their development policy from scratch.

### Difficulties in meeting international commitments

By joining the European Union, all the countries in this report undertook certain commitments with respect to the EU development co-operation framework, as enshrined in the European Consensus on Development, adopted in 2005.

Because many of the countries had not yet completed the transition from aid recipients to donors and were still in the “catching up” phase in comparison with more established EU members, the commitments required of them were formulated more leniently, obliging them to strive for an ODA to GNI (gross national income) ratio of 0.17% by 2010 and 0.33% by 2015.

None of the countries examined have managed to meet this obligation, although some of them are faring better than others, with Slovenia (0.13%) and the Czech Republic (0.125%) coming closest to the target ratio in 2011. This failure to meet the commitments is usually explained by the economic downturn of 2008/2009. As a result, all the governments in the region decided to cut their development budgets, exploiting the fact that ODA represents the least sensitive area for their electorates.

This situation is now slowly ameliorating as economic performance improves. For instance, the Czech development co-operation strategy adopted in 2010 pledges to raise the development budget by 0.01% of GNI on a yearly basis. Nevertheless, the Czech Republic is failing to fulfil this commitment.

## **The rising importance of multilaterally provided assistance**

Another important implication of the new donor countries' accession to the EU is the fact that they had to start contributing to the EU and international (United Nations, World Bank) instruments of multilateral development co-operation, especially the European Development Fund, which is decoupled from the general EU budget. As the overall amount of funds for development co-operation is limited, this has largely resulted in a huge rise in the multilateral ODA proportion of development budgets and a respective drop in the proportion of bilateral ODA.

For instance, while Hungarian bilateral ODA represented 51% in 2004, its proportion in the Hungarian development budget in 2011 was a mere 24%, and in 2008 an even smaller 14%. In the case of some countries, contributions to multilateral ODA account for as much as 90% of development budgets, such as in Latvia. The Czech Republic channels around 30% of its development budget through bilateral aid, the highest proportion from the countries examined. Slovakia, Hungary, and Poland also maintain a relatively high proportion (Slovakia 25%, Hungary 24%, Poland 22%).

As much as multilateral assistance stems from international obligations, the countries have to keep in mind that bilateral ODA leaves them with greater room for manoeuvre in terms of where the aid is directed, thus maximising the added value of each donor country's experience and know-how.

Nevertheless, multilateral contributions are predominant in all the countries of the region.

## **Institutional and programmatic framework still in the making**

Central and Eastern European countries have also had to create a legal, institutional, and strategic framework which would facilitate their assumption of the new donors' role and enable full participation in development co-operation policy. The general pattern is that the countries with a longer tradition of ODA provision usually have a better institutional and programmatic framework to deliver development co-operation and most of the necessary instruments, including strategic as well as individual programmatic documents, already in place.

In all the countries examined, the Ministries of Foreign Affairs (MFAs) assume the major coordinating, strategic and programmatic role when it comes to development co-operation. However, the execution of development policy is often fragmented, with different line ministries or other agencies exercising important roles in terms of setting priorities, approving projects, and disbursing funds. This certainly poses huge challenges to the overall coherence, coordination, strategy-setting, and evaluation and monitoring of development aid.

In some cases, however, steps have been taken to centralise policy-making and limit the role of line ministries, which is a practice common in long-established donor countries. The Czech Republic has probably gone farthest in this respect, limiting the role of line ministries to only the provision of scholarships by the Ministry of Education and the administration of some 15% of bilateral international development cooperation by 2013.

Two of the countries examined – Czech Republic and Slovakia – have established a special development agency charged with the implementation, monitoring and evaluation of bilateral development programmes and projects – a practice also common in more established donor countries.<sup>1</sup> In the case of Poland, the Polish Foundation for International Development Co-operation can be charged with rather limited tasks in implementing certain projects and initiatives related to democracy promotion and sharing of the Polish transition experience. Another similar decentralised system was introduced in Slovenia, where the execution of some development projects can be devolved to four foundations, functioning at arm's length from the MFA.

Central and Eastern European countries have largely introduced multi-annual strategies and programming, which is in line with OECD recommendations and international best practices and which should deliver greater effectiveness by clearly articulating geographical as well as thematic priorities of development co-operation.

In the case of Hungary, however, such a comprehensive development co-operation strategy is missing, which is quite surprising given Hungary's rather long track record as a donor country compared to most of the other countries of the region.

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<sup>1</sup> Czech Development Agency (CRA) and Slovak Agency for International Development Co-operation (SAMRS).

In the case of Bulgaria, the legal framework for programming is in place, but the documents are still in the drafting process. Similarly, in the case of Romania, the development strategy dating back to 2006 is considered obsolete by many stakeholders. Moreover, the Council for Development Co-operation, which should enhance the coherence of development policy at a national level, has not been put in place.

### **Geographical focus mainly on Eastern Europe and Western Balkans**

The design of development policy strategy goes hand in hand with the challenge of defining which geographical areas and territories should be targeted.

For an absolute majority of the nine countries, the focus lies either on Eastern Europe (countries covered by the so-called Eastern Partnership: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine) or on the Western Balkans.

This policy is explained by several factors: historical and existing political, economic and social ties, previous experience operating in the region, and cultural and linguistic proximity, all of which make delivery of development assistance easier and more effective. This, however, poses at least two challenges. The first is a risk of duplication of development co-operation delivery. For instance, Moldova features as a priority country for all the CEE countries bar Hungary. Similar overlaps can be found in the case of Ukraine, Georgia, Serbia and other Western Balkans countries. The risk of duplication becomes even more apparent when taking into account the fact that the thematic priorities of the Central European countries' ODA are also similar, as will be explained in the next section.

The question is thus whether it would make sense to somehow co-ordinate a better division of labour among the donor countries. Although the development co-operation policy framework is created at the national level, and it is naturally in the recipient countries' interest to be targeted by as many donors as possible, the actual outcome can be counterproductive, and perhaps more could be achieved by better focused bilateral co-operation from fewer donors. The second challenge stems from the fact that the recipient countries of the CEE group are usually upper or lower-middle income countries, not the least developed countries. The new donor countries' activities thus seem to go against the spirit of the European Consensus on Development, whereby the EU should prioritise the least developed and lowest-income countries and redirect aid especially to Africa.

Currently, very few countries from the region provide development aid to the least developed (lowest-income) countries, except for Poland, Hungary, the Czech Republic, and Slovakia.<sup>2</sup> Afghanistan is an exception.<sup>3</sup>

In the case of Hungary in 2011, as much as 37% of bilateral ODA went to Serbia, which is an upper-middle income country. By far the largest cumulative recipient of Polish bilateral ODA in the 2007-11 period was China, which also belongs among the upper-middle income economies.

Although it can be argued that this consideration is somewhat less important in light of the relatively small proportion of bilateral ODA in the overall development budget, it certainly represents further food for thought for the Central European countries as to possible reconsideration of their geographic priorities.

An overarching problem of these geographical priorities is that in most cases they are still too broadly conceived, which leaves the rather limited development funds scattered across many different countries with arguably limited impact. For instance, Hungarian bilateral ODA was disbursed across 84 countries in 2010.

Some countries have already opted for a drastic reduction in the number of priority countries, which should lead to greater effectiveness of development aid. The Czech Republic, for example, has reduced the number of programme countries to five (with five other so-called project countries), and decided to phase out development aid to some countries.

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<sup>2</sup> Ethiopia and Afghanistan are programme countries of Czech bilateral ODA, Kenya is a recipient of Hungarian ODA, Poland has as bilateral geographical priorities a bunch of low-income countries in East Africa (Ethiopia, Kenya, Somalia, Rwanda, Uganda, Tanzania, Burundi), and Ethiopia, Kenya, and South Sudan are priority countries of SlovakAid.

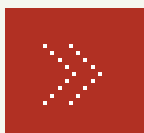
<sup>3</sup> Afghanistan features as an important recipient of ODA among many of the Central and Eastern European countries. However, this is largely linked to these countries' participation in international civilian missions in the country or their presence in provincial reconstruction teams, which is also reported as ODA. This somewhat distorts its picture as a systematic recipient or priority of ODA.

## **Thematic focus on transition experience and transfer of know-how**

Apart from articulating geographic priorities, the countries of Central Europe have also had to define, in line with OECD recommendations, the thematic focus of their ODA, maximising their expertise and added value. All of the countries surveyed agree that special added value rests in their specific experience related to economic, political, and social transition. Thus, this “soft” know-how in areas such as education, capacity-building, training, and technical assistance constitutes the core priority of their development aid.

Different countries accentuate different aspects of development aid, e.g. in Estonia the creation of e-governance, in Slovenia women’s empowerment, and in Bulgaria post-conflict reconstruction.

However, some countries have also identified so-called “hard” thematic priorities related to their expertise in areas including water management and sanitation (Czech Republic, Slovenia, Bulgaria), agriculture (Hungary, Czech Republic), or economic development and infrastructure (Czech Republic, Bulgaria). The “hard” thematic priorities often stem from previous engagement in such activities in developing countries, and are thus more visible and present in the cases of countries that have already been development aid providers for some time (particularly the Czech Republic).



Article referred to

PASOS Policy Association for an Open Society, ‘Official Development Assistance: The Case of Nine New EU Member States’

<http://pdc.ceu.hu/archive/00006819/>